



**Director of
Central
Intelligence**

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National Intelligence Daily

**Monday
20 August 1984**

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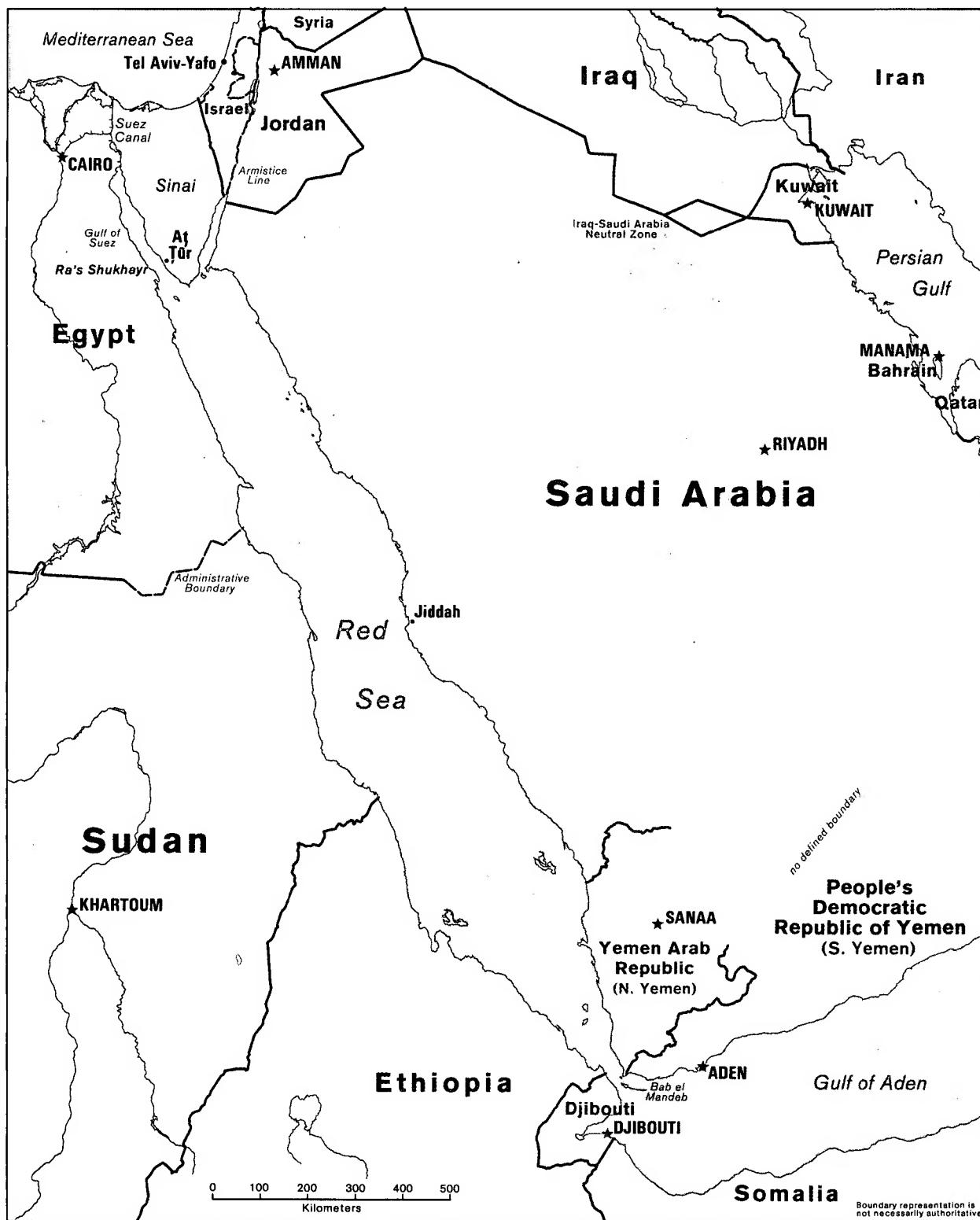
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RED SEA:**Developments in Mine Clearing**

No mines were discovered during weekend minesweeping operations. [redacted]

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The US Navy swept the approaches to Jiddah, Saudi Arabia, over the weekend, and the Saudi Government is satisfied that there are no armed mines in the area. French minesweepers are scheduled to begin their operations inside the port area today. Meanwhile, bad weather continues to hamper operations off the Egyptian coast, and Egypt has decided not to permit minesweeping operations in the vicinity of Ra's Shukhayr. [redacted]

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Comment: Cairo probably is concerned about the possibility of damage to the underwater oil pipelines that cross from Ra's Shukhayr to the At Tur oilfields in the Sinai. [redacted]

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Soviet Operations

The Soviet helicopter cruiser Leningrad and an accompanying destroyer passed through the Turkish Straits yesterday en route to an expected arrival on 23 August in the Red Sea. These ships will join the Soviet minesweeper and diving tender that passed through the Suez Canal over the weekend and are now headed for the mouth of the Red Sea. [redacted]

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NICARAGUA:**Church-State Conflict**

The four Nicaraguan priests ordered to resign their government positions by the end of the month will defy the Vatican, thus aggravating local church-state tensions. [REDACTED]

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The Sandinistas' official newspaper says the churchmen, including Foreign Minister D'Escoto and two other Cabinet members, will accept any punishment prescribed by Rome. The four have been told by Managua Archbishop Obando y Bravo that they have until the end of August to comply. [REDACTED]

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The order follows growing antipathy in the government against Obando, which has included Sandinista allegations that the Archbishop has been involved in improper political activities. The country's nine bishops are demanding that the government-controlled news media stop attacking Obando, who recently expressed support for opposition demands for free elections. According to the press, the Archbishop also implied that parishoners should not vote for the regime. [REDACTED]

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Meanwhile, the government has announced it will prosecute a Nicaraguan priest for counterrevolutionary activities. Some 10 foreign priests were expelled from Managua in July after some had marched in his support. [REDACTED]

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The Archbishop has charged that the government has denied visas to seven foreign clergy who were coming to work in Nicaragua. Earlier this month, the regime deported a visiting Venezuelan bishop shortly after his arrival in the capital. The US Embassy says the Sandinistas later apologized after the Venezuelan Embassy protested the incident. [REDACTED]

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Comment: Defiance of the Vatican will undermine Sandinista claims that there is no fundamental incompatibility between their brand of Marxism and Catholicism. The regime probably is willing to risk international disapproval of its actions, believing that a concession to its strongest domestic foe would be viewed at home as a sign of weakness and invite additional challenges. [REDACTED]

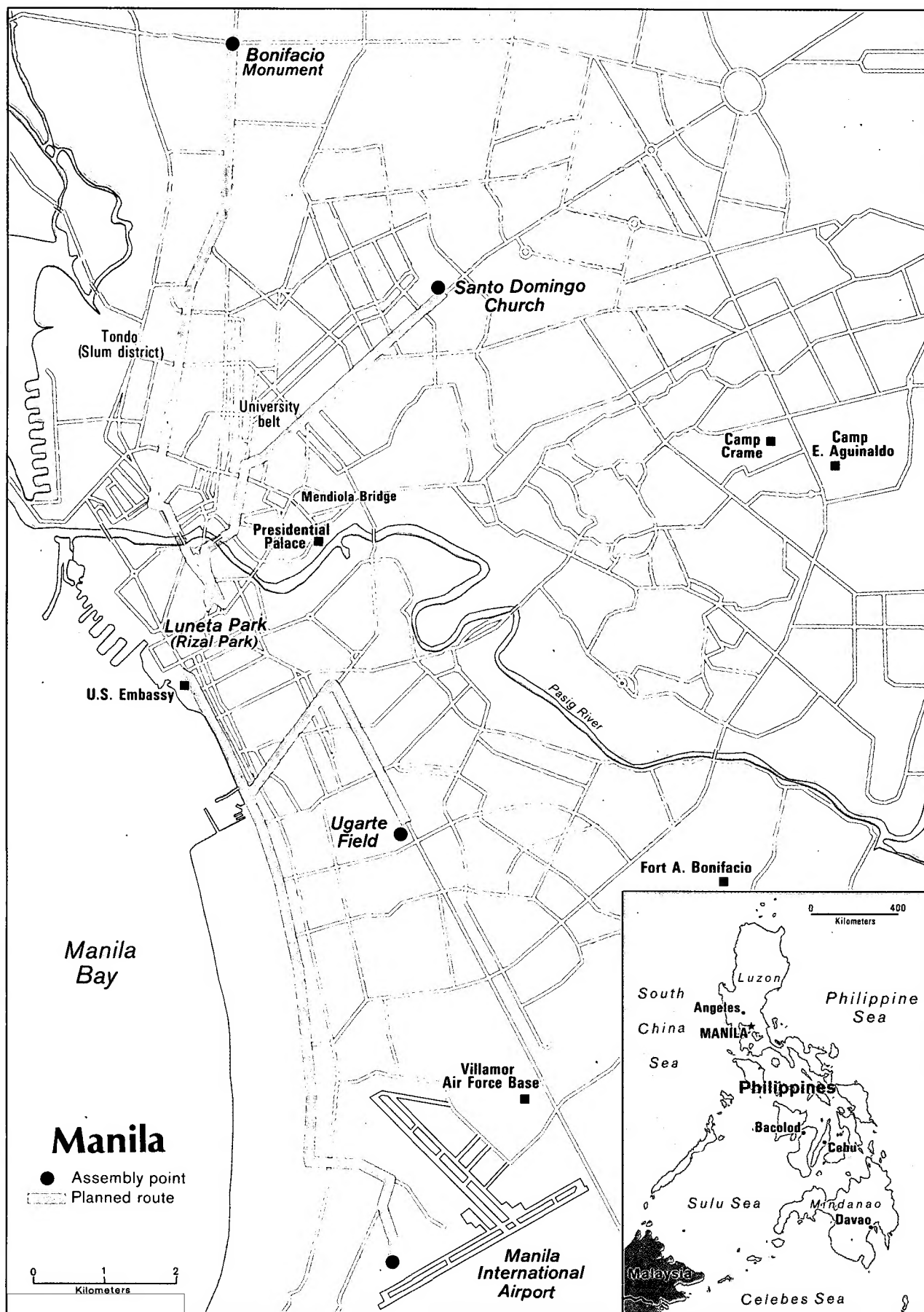
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The government's harassment of the visiting bishop probably was intended to indicate its displeasure at the Venezuelan church hierarchy's support for Obando. Opposition political leaders will soon visit Latin America and Western Europe and will try to capitalize on Sandinista actions against the church. [REDACTED]

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PHILIPPINES:**Antigovernment Demonstrations Planned**

Demonstrations in Manila tomorrow commemorating the anniversary of the assassination of opposition leader Benigno Aquino promise to be the largest and potentially the most violent of any since last year. [redacted]

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An array of opposition groups will converge on Luneta Park tomorrow from three locations around the capital. Reporting suggests that the opposition hopes to assemble close to 1 million people by busing in supporters from nearby provinces. Smaller demonstrations are planned in other cities, including Davao, Cebu, Bacolod, and Angeles.

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The Communist Party of the Philippines's political front organizations will participate in the rallies. [redacted]

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The military and police have been on alert since last week. [redacted]

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On Saturday, the Supreme Court ruled that the opposition's activities could take place. [redacted]

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Comment: [redacted]

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[redacted] In recent weeks, violent clashes have occurred when security forces enforced the "no permit" strategy, but the Supreme Court's ruling suggests President Marcos will now have to allow the demonstrations. [redacted]

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Should the government move against tomorrow's protest, however, it would likely do so at the four assembly points—before the opposition has a chance to bolster its forces by marching through the university belt and the slum district. [redacted]

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Even if the opposition fails in its goal to assemble 1 million people—which seems likely—and the regime permits rallies, at least some violence is probable. The palace is within easy walking distance of Luneta Park, and there is an outside chance Communist agitators will provoke a march on the US Embassy. [redacted]

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CHINA-US:**Military Relations on Track**

Chinese military leaders are apparently pleased with the progress being made in US-China military ties. [redacted]

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According to the US defense attache in Beijing, Defense Minister Zhang was pleased with his June visit to Washington. Zhang and his delegation reported positively on the visit to key Chinese policymakers, including Party General Secretary Hu Yaobang.

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Chinese defense officials reportedly pushed for the current China visit by Navy Secretary Lehman as a demonstration of further improvements in relations, despite Foreign Ministry objections to a visit before the US elections. [redacted]

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Comment: Beijing appears resigned—for now—to not receiving the most advanced US military technology but probably will begin pressing US limits as the relationship develops. Meanwhile, the Chinese remain extremely sensitive on the question of US arms sales to Taiwan. [redacted]

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WEST GERMANY: Resentment Over West Berlin

East Germany's refusal to apply fully to West Berlin an easing of travel restrictions between East and West Germany has reduced the political benefits to Bonn of its recent credit guarantee to East Germany and may complicate future negotiations. []

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Government spokesmen in Bonn say that some of the reduced restrictions on travel that East Germany agreed upon in exchange for a credit guarantee last month do not apply to West Berlin. These include provisions lengthening visits in border areas from one to two days and multiple-entry permits from three to six months. []

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The Kohl government has implied publicly that the Soviet campaign against German "revanchism" is the reason. Officials claim the West German negotiator had been led to believe the agreement would apply also to West Berlin, but public Soviet displeasure over improving intra-German relations forced East Berlin to reverse its position. []

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Comment: This latest controversy over West Berlin has reduced the political benefits of the agreement for the Kohl government by creating the public impression of a careless or incompetent approach to the negotiations. Still, the issue is unlikely to prevent Bonn from pursuing additional agreements on such matters as travel, the environment, and cultural exchanges. []

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Bonn almost certainly will concentrate on gaining equal benefits for West Berlin in future talks, possibly by demanding written agreement to that effect. This could complicate future negotiations in view of the differing interpretations of the two countries on the ties between West Germany and West Berlin. []

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The Quadripartite Agreement may complicate matters further. The US Mission in West Berlin has observed that the differing treatment of West Berlin may violate provisions of the Agreement. One paragraph specifically states that permanent residents of West Berlin should enjoy travel rights "comparable to those applying to other persons" The Western interpretation has been that West Berliners enjoy travel rights at least equal to those of the West Germans. []

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In Brief**Africa**

- **Liberian** Head of State Doe yesterday arrested two opposition party leaders and two members of disbanded military council for "security reasons" . . . provocative move could spark violent demonstrations, increase coup plotting, and threaten electoral process. [REDACTED]
- [REDACTED]

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USSR

- **UN** Secretariat's press service under **Soviet** influence with appointment of Soviet official in July . . . selects items for internal bulletin used by Secretariat officials, including Secretary General . . . treated US call for summit as election ploy. [REDACTED]
- **Soviet** President Chernenko reportedly plans to attend regularly scheduled Warsaw Pact summit in **Bulgaria** in late fall . . . main topics expected to be Pact solidarity and contacts with West— both contentious issues. [REDACTED]

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Special Analysis

SOUTH AMERICA: Tenuous Financial Balance

Most of South America's debtor nations will encounter worse financial conditions through the rest of this year. Although the largest—Brazil, Argentina, and Venezuela—will have improved trade surpluses, financial strains among the smaller debtors and even Argentina will continue to grow. Argentina and the smaller debtors will be particularly short of liquid funds in the second half of the year—resulting from increased interest payments that will fall due and from restricted foreign bank lending. They may opt to use scarce financial resources for growth rather than repaying foreign debt.

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Official data indicate that South America's trade surplus reached \$13 billion during January-June, a 50-percent improvement over the comparable period in 1983. Brazil netted approximately \$6 billion, while Argentina and Venezuela netted about \$3 billion each. The smaller debtors—Bolivia, Chile, Colombia, Ecuador, and Peru—accrued a surplus of only about \$100 million all together because of falling commodity prices.

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Brazil's large trade surplus and access to foreign credit has eased its liquidity strains, according to the US Embassy. Argentina and Venezuela have resorted to tough import and foreign exchange controls and delays in interest payments to prevent new shortages of foreign exchange.

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The Andean debtors, on the other hand, are suffering from depressed exports and tight foreign credit, prompting Bolivia to suspend debt servicing in June and Peru to miss its interest payment in July, according to US Embassy reports.

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Pressures To Intensify

foreign creditors are reluctant to lend more money to the financially pinched debtors, which is adding to their cash-flow difficulties in the second half of 1984.

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— Argentina will be unable to get new loans to close its projected \$3-4 billion payments gap until it obtains an IMF agreement,

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— Chile will face difficulties in securing additional loans because of poor repayment prospects, while the US Embassy reports that Peru's failure to pay interest is making bankers cautious about disbursing committed funds.

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— Colombia's resistance to an IMF-supported program probably will cause it to lose its existing credit lines [redacted] [redacted] while Ecuador will be unable to obtain new credit until it reaches a new agreement with the IMF.

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Higher interest rates are likely to add \$500 million to South America's debt service in the fourth quarter, an increase that Brazil and Venezuela will be able to absorb, but one that will strap the small debtors. Moreover, South American governments are concerned that their new success in exporting to the US and other industrialized countries risks provoking a further growth in protectionism there.

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Press and US Embassy reports indicate that officials of Peru, Bolivia, Chile, Colombia, and Argentina are facing political pressures for economic revitalization. Thus, they may begin to abandon or reject austerity in favor of growth strategies that depend on increased imports. [redacted]

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Implications for the US

Persistent financial difficulties throughout South America probably will cut US sales to the region this year by \$300 million from last year's already depressed level of \$10 billion. At the same time US imports from the region are growing. [redacted]

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The smaller debtors may resort to unilateral action to relieve debt payment problems. US Embassy reports indicate, for example, that Santiago already has made veiled threats to suspend debt servicing payments if interest rates or trade restrictions increase. [redacted]

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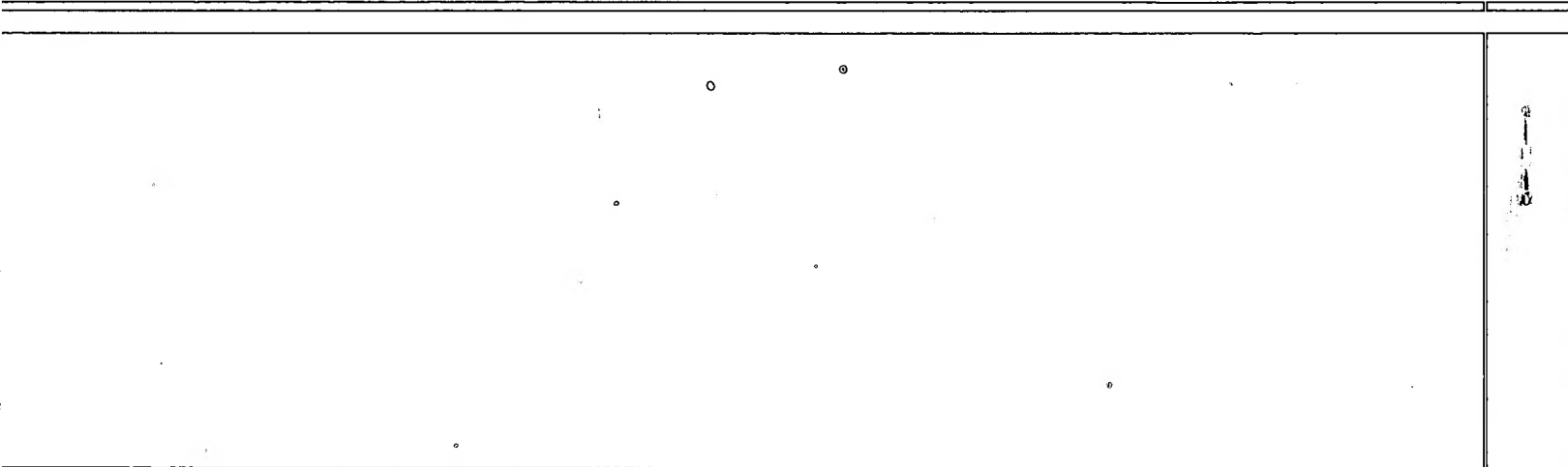
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